June 24, 1959

Investor's Reader

For a better understanding of business news

JOHN VIRDEN CHAUFFERS EATON ON PROFITS ROAD

(see page 12)

SHULTON AND SPICE

This farsighted bather accepts the promise of Manhattan-officed Shulton, Inc: "No burning, no peeling and no drying out with Bronztan." With over 100 products to meet nearly every feminine or masculine toiletry need from bubble bath to after shave lotion, the company's Clifton, NJ plant produces toiletries under such tradenames as Escapade, Friendship's Garden and Old Spice.

President George La Vie Schultz outlines: "The Old Spice line for men is still by far our biggest seller. But Desert Flower products are also growing very nicely including Beauty Ice [an astringent in solid form] which is going very strong." In fact the youthful (42) executive wryly added: "We really don't deal in much that's not profitable." Proof of the profitability: last year Shulton earned $3,400,000, a 3% gain over 1957 and quadruple 1951.

Still 80% family-owned, Shulton was founded by president George's father William Lightfoot Schultz in the dark days of 1933. His initial assets: 23 years experience in the soap business and $10,000 cash. The company quickly prospered and sales spiralled from around $100,000 the first year to a record $37,000,000 in 1958. In the process, the product roster has widened beyond soap and toiletries to chemicals and pharmaceuticals which are approximately 10% of sales. Early in 1958 Shulton acquired the Aer-O-Sol division of Bridgeport Brass and an entrance into household chemicals with insecticides and strong-selling room freshener Good-aire. Thylox drugs for skin and scalp disorders "have not done much yet but we expect they will be more successful."

The company is active abroad with plants in half a dozen countries and customers in many more. George Schultz reports: "In the last four years foreign sales have grown to approximately 15% of our total volume. That's quite a hunk since our regular volume has also had a considerable growth in the meantime."

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INDEX	PAGE
Associated Dry Goods in high style	3
Beckman Instruments inventiveness	21
Beneficial Finance winning streak . .	7
Corporate dollars go to college . .	17
Eaton drives for diversification	12
Hooker opens new research frontier	10
Kodak films in Ektachrome	11
Mexico—good US customer	5
Stevens spins sturdier profits	9
Vick vitalized by ethical drugs	1

Investor's Reader

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BUSINESS AT WORK

COMMUNICATIONS
The Independents

THE Bell Telephone System with over 80% of US phones is so well known many Americans think it is the only telephone system. However, AT&T's new summary of telephone statistics cites some 3,800 independents which account for 10,000,000 US telephones. Led by 3,600,000-phone General Telephone, the independents rang up a daily average of 49,130,000 local and 1,890,000 long distance calls in the first quarter—compared to 205,000,000 and 9,070,000 for Bell.

DRUGS
Vick Values Research

LATER this month a scientific article in the *Boston Medical Quarterly* will give another report on clinical tests of MER 29, a drug developed by the William S Merrell subsidiary of Vick Chemical Company. The new drug inhibits formation of the fatty substance called cholesterol which many scientists consider an important factor in heart disease stemming from hardening of the arteries. As in the results of earlier tests revealed in April, "the indications are promising." So says Arthur L Boschen, Vick's vice president for finance.

To many investors, Art Boschen's assertion is something of an understatement. Already recorded is Vick stock's spectacular climb to 143 from 84 in the first four months of this year. The 2,245,000 shares currently sell around 130. Company officials concede the announcement (or anticipation) of MER 29 has been a big factor in the stock's sharp rise.

But while MER 29 is the object of investor enthusiasm, some other Vick developments help put this new drug into perspective. The fact is old line proprietary drugmaker Vick has branched out further & further

into ethical drugs and related fields, led by Merrell and the National Drug Company division (IR, Nov 11, 1957). Vick's proprietary drug business led by key product Vaporub is now only 40% of the company's total compared with 95% of volume two decades ago.

In pursuit of this goal, the company has engaged in an active program of acquisitions. This acquisition policy which dates back to the 1938 purchase of Merrell company has been speeded up in recent years. In just the past year, it has acquired mouthwash maker Lavoris, vitamin & nutritional specialist Walker Laboratories of Mount Vernon, NY and Milton Antiseptics Ltd of London whose antiseptic fluid is used throughout Britain to sterilize baby bottles and for other germicidal purposes.

Vick has also thrown itself into research for new products. In each of the past two years it spent in the neighborhood of $4,000,000 on research and $1,000,000 for new research facilities.

Bone Glue. Aside from MER 29, Vick research has developed a number of other promising drugs. One bright example: Ostamer which was dramatically demonstrated at a recent orthopedic surgeons' convention.

On Monday of the convention a surgeon operated on a man who had undergone two earlier unsuccessful operations to repair bone damage in his knee. After making the incision, the surgeon poured into the legbone a tacky white liquid —Ostamer, a polyurethane plastic. The plastic hardened, provided the man with an "internal splint." The following Thursday evening, last day of the convention, the man walked down the center aisle to the convention stage. He had not walked in two years.

Still in the clinical test stage, bone glue Ostamer is supposed to help harden and set a bone, contribute to its repair, allow much quicker (often within 48 hours) use of the injured bone and be absorbed into the blood stream by the time it is no longer needed. Vick scientists say that in addition to human applications, it has possible use for saving valuable race horses which would otherwise have to be destroyed.

Early this month the company introduced a new weight reducing agent called Tenuate by Merrell and Tepanil by National Drug. (Vick feels the product will get broader distribution if both divisions bring out the product.) While a number of competitive products are in the field, Vick believes its new offering will have fewer side effects. "We have found it can be used even by diabetics and people with high blood pressure and does not create the effect of excitement and sleeplessness," says Vick's Boschen.

Another newly introduced item is Orenzyme, an oral version of parenzyme. The new National Drug-developed product is used to prevent swelling and other fluid accumulations in the body resulting from accident or illness. Previously it was necessary to take the drug either by injection or by absorbing it through the cheek pouch.

Tranquil Steak. In the animal medicine field Vick veterinary subsidiary Jensen-Salsbery has marketed the only tranquilizer cleared by the Government for use on cattle 24 hours before slaughter. It was used in mid-March for a blind-fold steak-eating test of 34 food editors in New York; 25 correctly picked which of two pieces of steak came from tranquilized beef.

But Vick also seeks further proprietary developments. Art Boschen lists two new drugs in Vick's traditional cold relief field which have scored well in the last year: Double Buffered Cold Tablets whose advertising slogan has given rise to a song titled *Would You Believe It, I Have a Cold Cha Cha Cha* and lemon flavored cough drops with Vitamin C. On the ethical side National Drug is hard at work on a cold vaccine. Should this product come to fruition, vice president Boschen quietly states, "it would be a significant addition to our business."

Vick's aggressive research, development and acquisition programs were instrumental in the company's reaching the highest earnings ever in the year ended June 30, 1958 with a net of $10,070,000 ($5.01 a share) compared with the previous high of $7,890,000 ($3.90) in fiscal 1957. As the present fiscal year heads toward next week's finish, Art Boschen sticks to the simple prediction Vick's earnings will "exceed" 1958. This seems a safe statement since in the nine months ended April profits had risen to $4.61 a share from $4.46 the previous year.

RETAIL TRADE

Associated Dry Goods Growth Secures New Fashion Markets

ONE OF THE biggest-volume prestige stores in the land is smartly aggressive Lord & Taylor. The cash registers at the Fifth Avenue landmark and its six suburban branches ring up around one-fourth of the total sales of Associated Dry Goods Corp ($261,000,000 volume last year). The remaining three quarters come from ten other Associated stores and their 13 branches: J N Adam and William Hengerer in Buffalo; Sibley, Lindsay & Curr in Rochester; Hahne & Company in Newark; Stewart & Company in Baltimore; Stewart Dry Goods in Louisville; The Diamond in Charleston, W Va; Powers Dry Goods in Minneapolis; J W Robinson in Los Angeles and the Boston Store in Erie, Pa (operated by the Erie Dry Goods Com-

Merchant McKim

pany which was taken over last month).

Like pacesetter Lord & Taylor, the stores on the Associated team cater primarily to medium and better-income customers whom they try to please with "service, quality and fashion." The soundness of these principles is attested by Associated's solid income reports: in the last five years sales have increased 67% while earnings improved 52% from $4,850,000 or $3.06 a share in 1954 to $7,520,000 or $4.15 a share in fiscal 1958 (which ended this January 31).

Last week at the Associated Dry Goods head office, catty-cornered across Fifth Avenue from Lord & Taylor, veteran chief executive Robert J McKim (after 16 years in the presidency, he becomes board chairman next week) commented on the gains of the past five years: "We bought a number of major stores in recent years—Robinson in 1955, The Diamond the next year and Sibley, Lindsay & Curr the one after that. Now we've taken over Erie Dry Goods. We hope to get more."

He continued: "Our seven other stores have been with the company since its organization in 1916. But of the twelve branches which they operate, ten were added since War II." Merchandiser McKim states pointedly: "These new stores have not only added to total sales and earnings but also to the per share earnings for the stockholders. And we feel each store has an additional and as yet unrealized potential."

To help crystallize this potential, Associated is enlarging the downtown Louisville store of Stewart Dry Goods (homebase of president-elect Lewis Seiler), constructing a 130,000-square foot Lord & Taylor branch in Chevy Chase, Md outside Washington, arranging for an additional Stewart branch in Baltimore. Another Powers branch is due to open outside Minneapolis early in 1960.

Tailored after Lord. But Associated is not satisfied with just physical expansion. To provide more new fashion impetus it has set up a marketing division at corporate headquarters. Merchandiser McKim reports: "This operation consolidates market research, follow-up of orders and exchange of merchandise information among all Associated stores. We believe it provides a substantially improved service and a more intensive use of our collective merchandising skills. We want all Associated stores to sport the fashion flair of Lord & Taylor."

Bob McKim is ready to leave fashion trends to the new department, confesses "all I know of style plus 15¢ will get you a subway ride to Brooklyn." However he is alert to financial fashions, maintains "prices will remain stable through the fourth quarter although shoe prices will be up somewhat this Fall. Our inventories are running about normal and we will not have as many mark-down losses as we did in the Spring of last year."

Profits were marked up sharply in the April quarter when Associated netted 64¢ a share as against 37¢ on a 14% gain in sales. Head-

man McKim predicts "this sales trend should continue through our second quarter but the percentage figure will drop to about a 5% gain since the comparison is with a better quarter" (the major slump in sales was felt in the first quarter last year).

For the full year the new chairman ducks any earnings forecast but states "if specific expansion plans are considered and if the economic climate remains favorable our sales volume might reach $275,000,000 in 1959 and perhaps close to $300,000,000 in 1960."

FOREIGN FRONT
US-Mexican Trade

IN THE ebb & flow of US foreign trade, Mexico is far more important than most people think. According to the US Department of Commerce, the United States has been Mexico's principal trading partner for three-quarters of a century.

Among the factors which brought this about: the completion of a railroad from the US border to Mexico City in 1888; the large US investments; the expanding US market for Mexican raw materials and food products; the suitability of US merchandise for Mexican needs and tastes. Adds the Commerce Department: "The proximity of the United States, affording quick and economical delivery and the interruption of other trade channels during two world wars also strengthened the American position."

In line with its economic expansion, Mexico's total exports have increased over the past decade. Since 1950 they have climbed from $483,000,000 to $850,000,000 in 1956, then dropped somewhat to $758,000,000 in 1957 and $760,000,000 in 1958.

At one time minerals were Mexico's most important group of exports. But with the tremendous development in agricultural production, this is now changed. Unlike most of its southern neighbors, Mexico's export trade does not depend upon one or two commodities, or even on a single basic economic activity such as agriculture or mining. Currently seven leading commodities make up three-quarters of the exports: cotton, coffee, copper, lead, fuel oil, zinc and shrimp.

However like most of its Latin American neighbors, even with this diversification Mexico is relatively dependent upon the US. For years the US has been its biggest customer. In 1958, for example, the US bought over $457,000,000 worth of Mexican merchandise or more than half of total exports. And, of course, such figures do not take into account "invisible exports" like the half-billion dollars spent last year by tourists, most of whom came from the US.

Big Customer. Meanwhile, contrary to popular opinion, Mexico is also important to the US economy. Says one US State Department official: "We sell to Mexico much more than we buy." In fact, for a number of years Mexico held first place among US Latin American markets and third place or fourth place among all US markets. In 1957

AERONAVES DE MEXICO

Tourist attractions draw dollars

Mexico was the sixth most important customer of the US, outranked by Canada, Japan, Britain, Venezuela and West Germany. But in 1958, as the recession hit the European and Japanese economies, Mexico moved up to second place among buyers of American goods. Canada was still way up front with purchases of $3.4 billion out of total US exports of almost $17.9 billion. Mexico ranked second with about $886,000,000 while Japan, Venezuela, Britain and West Germany trailed in order.

Mexico's overall imports have increased even more rapidly than exports. In fact they have climbed faster than both population and national income. Major reason is Mexico's remarkable economic development and industrialization. As a result its import trade has shifted drastically from consumer goods to producer goods. Now its imports are largely made up of capital goods—equipment for new factories and for expansion and modernization of existing plants—and industrial raw materials.

Mexico's continued economic development and industrialization will inevitably mean continued high and increasing imports of capital equipment and industrial raw materials. The US Embassy points out while some US exporters will be excluded from the Mexican market as domestically produced items supplant imports, the overall level of US sales to Mexico is almost bound to go up.

But it adds a vital stipulation which goes for any business enterprise: "The one qualification of course is that United States exports must maintain their competitive position with respect to price, quality and credit facilities with the resurgent European competitors and Japan."

STEEL
Competitive Horizon

AMID its troubles with labor, productivity and prices, the steel industry last week faced another serious problem—intensified foreign competition. While the US talks of probably higher prices, the British steel makers sliced quotations 2%. Already the tiny Grand Duchy of Luxembourg can deliver steel wire in Cleveland cheaper than US producers (IR, May 27). Despite the recession, total steel imports of 1,700,000 tons last year were the second-highest ever (after bustling Korean War year 1951); in the first quarter of 1959 imports were triple last year and roughly double the "more normal" 1957 period.

CREDIT

Beneficial Finance Woos 'Kingly' Customers, Reaps Profit Benefits

TO OFFICIALS of small loan giant (half-billion assets) Beneficial Finance Company "the customer is king." For their part Beneficial's million-odd customers have shown enough eagerness for the proffered "royal" treatment to put the company well on its way to a probable fifteenth consecutive year of increased profits.

According to Robert A Tucker, assistant to chairman-president O W (for Olaus Westby) Caspersen, Beneficial's dedication to the monarchy of the customer enables the company to thrive in the midst of higher interest rates (finance companies must of course borrow money before they can lend it) and increased competition from credit unions, bank credit plans and instalment loans. Says a company official: "This competition doubtless won't prove beneficial to Beneficial but how harmful it will be is another question."

Beneficial vies with Household Finance for top rank in the small loan industry. At the end of 1958 Household led in assets ($600,000,000 to $522,000,000) while Beneficial was ahead in offices (1,142 *v* 958). In net earnings, Household has led all but one year in the last decade but Beneficial was ahead in the first quarter of 1959.

Expansion-minded Beneficial opened 53 offices in 1958 and 66 the year before, plans on 50-to-60 for this year. So far in 1959 there have been 29 openings ("a reflection of our optimistic outlook") to bring the loan office total to 1,171. They are situated in all states (including the two newest) except Arkansas, North Dakota and, interestingly enough, Delaware where the parent company is incorporated and maintains a sizable administrative office. Beneficial also has offices in all ten Canadian provinces.

Beneficial's strongest foothold is in the small loan field, particularly the lending of money for debt consolidation. In such a loan the borrower receives a sum of money with which he pays off his creditors, leaving him with one unified monthly instalment bill from Beneficial. The relatively higher interest rates charged by Beneficial or other small loan companies when compared with commercial banks and other lending institutions are, according to Beneficial research studies, offset in the customers' eyes by convenience, lack of embarrassing red tape and quick service. Also the loan companies are more willing to deal with borrowers who have trouble qualifying for bank credit. Yet the overwhelming majority of these borrowers prove good risks; Beneficial's bad-debt losses recently have been less than 1%.

About two-thirds of Beneficial loans are made to people who still have a balance outstanding. In fact once a person has borrowed a sum, he is likely to be back an average of three times before the debt is finally discharged.

Borrow Low. The formula for Beneficial's 14-year earnings win-

ning streak, so far as company policy can guide it, has been the judicious borrowing of money at low long-term rates during favorable interest periods combined with a sizable year-to-year plowback of earnings into the business. As of March 31 Beneficial had long-term debt of $302,000,000 (at 2½-to-5% interest rates) compared with short-term borrowing of $39,800,000. Last year the company plowed back $10,500,000 into the business. With retained earnings offering the "cheapest source of new money available" and with plenty of short-term bank credit available, Bob Tucker sees little likelihood of long-term borrowing this year.

A 39-year Beneficial veteran who celebrated his 63rd birthday two weeks ago, Norwegian-born president Caspersen also credits the "higher average amount of outstanding instalment notes" for the company's continued good showing. He told stockholders "our average loan last year was for $433 compared to $422 in 1957 and $227 in 1948. In addition president Caspersen, like most cost-conscious executives in many industries, notes "continued and effective control of expenses and collections despite economic conditions contributed to our increase in earnings."

Last year Beneficial racked up earnings of $21,730,000 or $2.07 a share *v* $1.91 a share in 1957 and 91¢ in 1948. The gain continued in the first quarter with profits of 53¢ a share against 50¢ in the like 1958 period. Loans outstanding are up slightly to $532,000,000 in March from $518,000,000 a year earlier but almost quadruple the receivables of ten years ago. Bob Tucker labels the latest year's increase "not as much as we would like" but adds: "Business for us generally lags behind the economy both on the way up and on the way down."

While the company discreetly abstains from predictions, some Wall Streeters who use the first quarter as a base, then plot normal seasonal variations have come up with full-year figures in the vicinity of $2.15-to-2.20 a share.

Pay Higher? Outsiders have also labeled Beneficial as a dividend-boost candidate. Arguing the pros & cons, Beneficial has historically paid out on the order of 60-to-65% of earnings and the 25¢ quarterly dividend last year came to less than 50%. On the other hand, the more liberal payouts took place when long-term money could be borrowed at 2½-to-2⅞% and rates for new money are much higher now.

Around 30% of Beneficial Finance's 9,770,000 shares are owned by Beneficial Corp (IR, Jan 12, 1958), an over-the-counter traded, Delaware-based investment company whose assets are overwhelmingly (90%) concentrated in the stock of its loan company namesake. The rest of the Beneficial Finance common trades on the Big Board (symbol BNL) around 25, up from a low of 18 last year and not far away from the alltime high of 28⅛ scored earlier this year. Also listed are 586,000 shares of $2.50 preferred which trades rather inactively around 50.

While Beneficial's small loan business moves along in steady fashion, the company actively seeks to build up business in another credit field: sales finance receivables which currently constitute about 5% of the total outstanding. Prevailing sales finance charges are lower than for small loans but Beneficial is enthusiastic about the growth opportunities in the field. Five years ago it pioneered the Fly Now—Pay Later field with Pan American Airways; now it has 15 airlines under contract for this service and plans a tie-in with Miami hotels as well as the airlines for packaged trips. The company also finances retail purchases of Winchester fire arms, Mercury outboard motors, Underwood typewriters and Toro power lawn mowers.

Another new Beneficial wrinkle is the recent formation of Beneficial Leasing Corp, a subsidiary which will initially handle the financing for national firms which manufacture office equipment, including computers. More plans for expanded service are "under study" but still classified secret.

Says affable Tucker: "We're diversifying but all in the financial field. That's what we know most about."

TEXTILES
Stevens Profit Mend

THE EARLY-YEAR predictions for a long-awaited textile upturn (IR, February 4) appear to have come true. Following the bright report of Burlington Industries (IR, May 27), the April quarter results of J P Stevens & Company weave a pleasing pattern. Better off than most textilers thanks to good diversification, synthetic, woolen & cotton manufacturer Stevens nevertheless wore a thin profits coat for the last seven years. While final profit for the October 1958 year rose 21% to $11,000,000, the gain came not from operations (pre-tax net was down 42%) but reflected use of available tax losses of the previously unconsolidated Forstmann companies.

After a January quarter with good volume but low prices which left pre-tax profits unchanged from the year before, the gain in the April 1959 quarter is made of stronger material. A firm backlog of orders for cotton reduced inventories sufficiently to raise prices to a respectable level. A similar demand for wool also helped hike total Stevens sales 30% to $114,000,000 and profits (still untaxed) soared to $5,242,000 ($1.25 a share) from $1,346,000 or 32¢ a share after a small tax.

In the last year Stevens has done a little corporate rearranging including liquidation of some Forstmann Woolen facilities. Treasurer A James Smith says negotiations for disposition of Forstmann properties are "being stepped up but they have not moved along as speedily as we wish. We hope to finish by the end of the year." Depending upon the final disposition results and remaining tax-loss carry-overs, it is likely the 146-year-old firm will not have to pay federal taxes this year either.

CHEMICALS

Hooker Hoop-la

ALTHOUGH Niagara Falls is best known as honeymoon haven, Empire State Governor Nelson Rockefeller two weeks ago declared: "The industrial importance of the Niagara Frontier is second only to that of metropolitan New York." Occasion for this boost: dedication of the new $3,600,000 research center of Hooker Chemical Corp, one of the leading Niagara Falls industrial citizens. Following the Governor, Hooker president Thomas E Moffitt told his 600 guests of the center's importance to Hooker: "It will centralize all research and will yield highly desirable benefits in the creation of new ideas and the application of old ideas."

The center's ideas will spark many phases of Hooker operations. After devoting most of its fifty-year life to production of chlorine, caustic soda & potash, sodium chlorate and hydrogen, $151,000,000-assets Hooker has in the last five years ambitiously expanded its interests into such varied fields as plastics, phosphate chemicals and glamor rocket fuels.

In April 1955 Hooker began to branch out with the acquisition of Durez Plastic of neighboring North Tonawanda, NY, a leading manufacturer of phenol, formaldehyde and synthetic resins. This initial venture proved most successful—today Hooker is the largest producer of phenolic plastics used in the manufacture of a wide range of basic items from electrical appliances to automotive parts.

Also in 1955 Hooker acquired Niagara Alkali Company for a further diversification into potassium chemicals. The next year it bought Oldbury Electro-Chemical Company, producer of phosphorus compounds. The phosphate division was further expanded last year with the acquisition of Shea Chemical Corp, a $20,000,000-a-year producer of sodium tripolyphosphate (for synthetic detergents) dicalcium phosphate (for animal feeds) and

Hooker research outpost on the Niagara Frontier

phosphoric acid (used in feed and fertilizer). Treasurer E W Mathias reports: "This division is recession proof—folks still wash at home when times are bad." He continues: "We are currently expanding the plant facilities for the production of tripolyphosphates in Columbia, Tenn and Jeffersonville, Ind and are also increasing our dicalcium phosphate production capacity."

In 1958 Hooker joined with Foote Mineral to set up subsidiary HEF to make oxidizers for rocket fuels (IR, May 13). Production of ammonium perchlorate started in February and treasurer Mathias adds: "HEF will be producing lithium perchlorates very shortly."

Hooker's eager activities have precipitated an upturn in the income statement after a slide from $1.75 a share in the November 1956 year to $1.50 in 1957 to $1.43 last year. Sales for the February, 1959 quarter reached $34,900,000 or 20% ahead of the first 1958 period; earnings increased to $3,200,000 or 43¢ a share from $2,500,000 or 34¢ last year.

And Hooker executive Mathias reports: "Our second quarter ran a little ahead of our first quarter" which again represents a 20% gain over last year. This "improvement includes all areas of the business but is most pronounced in Durez products [plastics]. Chemicals are showing a steady improvement and the phosphorus division is holding its own." Treasurer Mathias optimistically looks "for a continued good level of operation for the remainder of the year."

Kodak Color

NEWEST addition to the Eastman Kodak family of fine films is the fastest color film on the market, high speed 160 Ektachrome. This new film makes possible color pictures in less light than ever before and at faster shutter speeds, sells at a premium of 45¢ over regular 20-exposure Kodak rolls.

At the same time Kodak introduced Tungsten Ektachrome with a speed of 125 for indoor shots. The photo king feels this indoor film fills a wide market gap, may outsell its sister, daylight Ektachrome. Because of their higher cost and speed both new films are not recommended for amateur shutterbugs but professional photographers are promised "excellent texture, coloration and detail."

Excellent coloration was also detailed in Kodak's first quarter report: sales reached $189,800,000, up 15% from the first period of last year; earnings increased to 59¢ a share from 38¢ the year before and 46¢ in the first 1957 quarter. This came atop a record 1958 when Kodak overcame an early slump to set new highs for the full year with a net of $98,900,000 ($2.57 a share) *v* $98,100,000 ($2.55) in 1957. At the annual meeting chairman Thomas Hargrave and president Albert Chapman told shareholders: "On the basis of the continuance of the rising trend of general business and the good acceptance of new products recently introduced by Eastman Kodak, the company's business should continue at a good level throughout the year."

Auto Equipper Eaton on Fast Road

Emphasis on Truck, Industrial Machine Parts Strengthens Diversified Manufacturer

LIKE a motorist who threads his way through the least congested lanes during a major traffic tangle, the Eaton Manufacturing Company made better time than most auto equippers during the recession tie-up and by now once again roars accelerator-on-floorboard along the profits speedway.

Last year sales dropped to $198,000,000 from the $253,000,000 recorded for the same operations in 1957. Profits fell to $7,956,000 or $3.46 a share from $13,246,000 or $5.77. While the slowdown was severe, Eaton still managed to cover its $3 annual dividend by a safe if not overly comfortable margin. Most encouraging was a sharp step-up in the final quarter with net of $1.07 a share the best of the year.

In the first quarter this year volume improved by one-third to $70,000,000 and profits shot up to $1.80 a share from $1.04 a year ago. The excellent second quarter has proved even better and should push first-half results above $4 a share according to president John C Virden.

Beyond the current period, "I can make the same trite remark, it depends on the economy—especially, of course, the steel strike." John Virden supplements: "We've tried to cover ourselves in steel but haven't succeeded in all divisions. In axles, for instance, you can't build up too much of an inventory when you're running at the rate we are."

Besides, the third quarter "is normally our slowest of the year." Even so, John Virden expects "results will be well ahead of the 48¢ earned in the corresponding 1958 quarter; in fact we're looking for $1-to-1.25."

Barring major disruption from labor disputes or other unexpected upsets, the fourth quarter should bring new improvement for the economy and Eaton. Thus, "this could be one of Eaton's most prosperous years with net better than $6.75 a share." Adding up the projections for the first nine months, conservative John Virden's estimate counts on only about $1.50 in the final quarter. Outsiders note this is usually a strong period for Eaton and assuming good business in the new '60 cars and no labor knockout, fourth-quarter earnings could easily match or better the early-year rate. Normally prosperous Eaton had reported (on a substantially smaller capitalization) $7.42 a share in 1955, $7.06 the following year.

Regardless of second half developments, John Virden points out with a satisfied smile "we will already have earned our full $3 annual dividend by a good margin in the first half of 1959." Whether the improved outlook will bring a dividend raise or an extra later this year, "we'll have to see how the second half shapes up and how the future looks. I think the board will not want to move rashly but it also sympathizes with the natural desires of the stockholders."

On the NYSE Eaton's stock

slumped from the late 1956 high of 66 to 38½ early last year (which incidentally was exactly one-eighth of a point better than the once-lordly 1929 peak) but has since recovered sharply and entered new alltime high ground this Spring. Last week the 2,380,000 capital shares (sole other capitalization: $1,675,000 in long-term debt) sold around 70. This provided somewhat better than a 4% yield on the present dividend and works out to but ten times estimated 1959 earnings.

Mobile Machine Tool. A producer of axles, transmissions, valves and sundry metal parts, Eaton derives part of its agility from limited reliance on passenger cars. Equipment for autos accounts for only 30% of total volume. Fully half the company's business is in medium & heavy trucks and off-the-road equipment which "we consider an industry independent of the passenger car market and as great a source of diversification as any commercial business." In fact, John Virden describes trucks as "a kind of machine tool which like other capital goods is responsive to general business conditions."

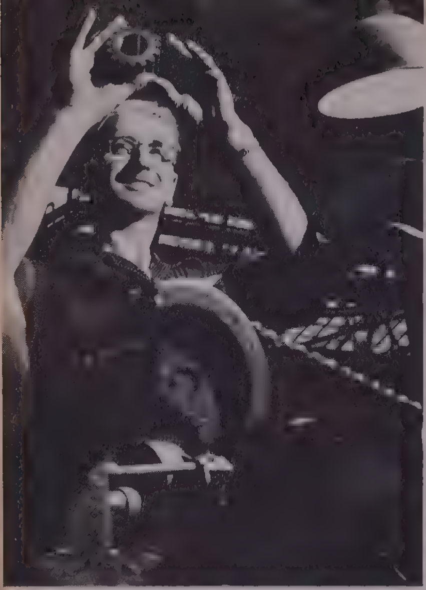
Most of the remaining fifth of Eaton volume puts it still further into the "general capital goods field which we serve with parts for a very wide range of industrial machinery" including adjustable speed drives, fasteners, all sorts of gears. John Virden happily reports truck production "which is most important to us is at near-record levels but all our divisions have shown very smart gains except for the jet

Fancy machine for axle gears

blade business from which we are now withdrawing."

Two acquisitions in the past twelve months materially broadened Eaton's scope. Last July it paid 458,000 shares for Fuller Manufacturing of Kalamazoo (Fuller sales and earnings for 1957 and 1958 have been consolidated pro forma in Eaton financial statements). "An organization of people much like ourselves," Fuller did a $31,500,000-a year business in 1957, mostly in truck and off-highway transmissions.

Integrater Virden explains the operations mesh neatly: "They never had axles, we never had transmissions, yet we should be in that business to carry power from the engine to the axle. We're one of the largest truck axle makers, you know,



Machinist inspects axle housing

and they were largest in transmissions and each of us had to protect our position against eight captive and independent auto parts makers who produced both. Now we are in position to offer a complete set-up and we can do a better job by integrated engineering."

The other acquisition is Cleveland Worm & Gear, a $10,000,000-a-year company taken over this January for 81,700 shares. It represents "real diversification with products brand new to Eaton. Their line complements but does not compete with ours. We make truck axle gears while their gears and speed reducers are for industrial power transmission machinery. They have applications in practically every basic industry —that's what appealed to us."

Cleveland Gear also brought into the Eaton family its subsidiary Farval Corp which provides centralized automatic & mechanical lubricating systems for industrial machinery—a growth field since it promotes labor savings and efficiency compared to old hand lubricating methods. Some Farval installations are termed manual; a worker must push a button to activate the mechanism when lubrication is needed. Other equipment is automatic — timeclocks or other controls do the button pushing. The Farval system has "not been exploited for older machinery; we can do a job there with our engineering."

Earnings Emphasized. Eaton plans to promote part of its future growth through further acquisitions. "We are looking at several fields where we fit in but it's hard to tell whether anything will develop. In any case, when & if we buy, we'll not just go after volume—we'll emphasize earning power."

There are also plenty of internal growth developments which are bringing about "a different product mix. For instance, we're enlarging our gear business quite a bit."

Another diversification move has been auto air conditioning systems. Eaton sells complete systems through Sears and "volume has doubled every year since 1955 though the business is still relatively small. We also started to sell through independent distributors last year and this year we sell complete systems to Ford. But in addition we sell air conditioning components to every automaker except GM and this is by far the bigger area."

Eaton has also set up facilities to

produce anodized aluminum parts, now makes radiator grilles and other "bright finish work." It is also "getting the feel of expanding into the replacement market" with a line of radiator and gas tank caps, etc.

President Virden notes: "We're also doing a good deal to improve our research & development. This is not anything any enlightened company isn't doing but we're finding some opportunities we hadn't used before. We've come up with numerous developments like our new tandem axle which spreads the truck's payload over more tires and wheels; a limited-slip differential [applies stronger power to wheel with good traction in place of opposite wheel spinning helplessly in mud, snow, etc]; a variable speed drive activated by silicone fluid used initially to regulate the engine fan in air conditioned autos. There are also several research developments we can't talk about yet."

Big Small Plans. Eaton looks with interest at the Big Three's compact car plans. "We're getting a lot of business in this field [Rambler and Lark are Eaton customers too]; we will at least obtain our normal share of this business, perhaps more." As for the impact on Eaton: "If the compact cars cut into imports, we could get more business but if it cuts into big-car volume, we could lose some; it's too early to appraise the effects."

In any event, greater use of lightweight aluminum parts should benefit Eaton with its new anodizing facilities. Also an aluminum engine will require valve seat inserts (an Eaton product) which are not necessary on most current motors.

Eaton itself has slowed down its capital expenditures program after a $110,000,000 postwar outlay. Last year capital spending ($5,150,000) was well below depreciation ($7,350,000) and "we expect to spend less than depreciation this year and next though some of our research projects could develop into a need for new capital improvements." The depreciation surplus should of course add substantially to cash flow—though "not so much immediately since a great deal of cash is going into building up inventories."

Eaton has also experienced one disappointing drain on its cash flow: the five-year-old aircraft division which made jet engine blades. John Virden comments on the scheduled close-down: "This unit came out of our valve division which makes valves for car, truck and aircraft engines and will continue to do so. But the jet blades business has been going steadily downhill; we lost money in the December and March quarters and the outlook was poor. The market has shrunk with the switch to missiles."

Social Concern. Financially, Eaton will be glad to get out of this money-losing diversification effort which "represented only 3% of our total business." Before reaching a decision, "we debated whether we were being fair to the country but it turned out there was ample capacity. And of course we were faced with a social problem; we could absorb a good many of the division's 1,100 workers in other plants but

unfortunately we have to let many others go."

Friendly, dignified John Virden extends this view to a larger area. Like many companies, Eaton instituted an effective austerity program to get productivity up and make the most of available business in the recession. Economist Virden philosophizes: "I'm very pleased and also puzzled at the job American industry has done. Practically across the board we found we could do without many of the things we thought we needed. But the problem it creates is social—in the midst of all this prosperity we have substantial unemployment. I wish we could use the same ingenuity we used in the austerity program to solve the unemployment problem."

Such concern with the social impact of corporate action is typical of business-statesman Virden who has been closely associated with Eaton throughout the postwar period but whose first full-time job at the company was the presidency he assumed New Year's Day 1957.

Born in Alabama 62 years ago, he graduated from Cleveland's University School in 1915 and joined the Virden Manufacturing Company. In 1917 he went overseas with the medics and later the fledgling Air Corps. He returned in 1919 to head the family company, an industrial & residential lighting equipment firm today known as the John C Virden Company. This is a "small, family-owned company which I was holding down for my son; otherwise I would have liquidated it by the start of the Second War." John Sr remained as chairman till he took command at Eaton; 35-year-old John Jr runs it as president.

Meantime John Sr devoted his time to many public activities. He became regional director of the War Production Board in 1942, held various other Government posts through 1948 and is still a member of the Commerce Department's Business Advisory Council and chairman of the Export-Import Bank's Advisory Committee. He also served as Cleveland Federal Reserve Bank chairman in 1953-57.

Long a friend of Eaton Manufacturing founder Joseph Oriel Eaton, John Virden joined the Eaton board in 1946, the executive committee in 1950. In his 2½ years as president he has brought extra vigor to the sturdy company.

Last Winter he announced a goal of $400,000,000 volume by 1963 which would be double 1958 (though only 60% above 1957). Recently he explained: "After a study of each division and what they could do, we wanted to set up an overall goal and decided to let our stockholders know about it. The basic study was made before we took in Fuller and Cleveland Worm. Now our 22 divisions and subsidiaries already have a productive capacity—which of course does not mean sales—of $350,000,000 a year. So we hope to meet our goal long before the five years are up."

Eaton certainly is moving in that direction and John Virden reiterated: "This should be one of Eaton's better years and it bodes well for Eaton's future."

Corporations Give More For Education

Contribute $150,000,000 This Year; More Needed To Fill Half-Billion Gap

THE 470,000 college seniors and graduate students who marched in commencement processions this month represent a strong investment in the future. For many of the 1,900 colleges and universities involved the graduates also represent a financial problem in the present. The trouble: tuition and scholarships covering this year's 3,260,000 college students met less than half the expenses of their education. With costs and population climbing (4,-500,000 students will be in college in 1965) it is ever harder to meet the bill. Past endowments cover less of the total cost and although gifts from individuals, corporations and foundations are on the rise, they have not filled the gap.

The Council for Financial Aid to Education, a group formed by business leaders in 1952, estimates half a billion more a year is needed to meet current operating expenses and much more to do the full job of higher teacher salaries, bigger college facilities and improved curriculum and research.

In 1958 US colleges and universities had an estimated income of $4.4 billion of which more than $850,000,000 came from voluntary contributions including about $136,-000,000 from corporations. This year companies will give about $150,000,000, almost four times the $40,000,000 donated in 1953.

Corporations feel more and more responsible for aid to higher education. There are quite a few reasons, both "selfish and broad and majestic," says a director of a large corporation-sponsored foundation. More than ever business needs the trained brainpower produced by universities. Besides corporations want to preserve and nourish the American ideal of educational opportunity. With more money in their vaults and pockets businessmen would rather give directly to education than have the Federal Government do it all. What is more such donations are tax deductible.

Dr Frank H Sparks, president of the Aid to Education Council is former president of Indiana's Wabash College and a founder & former president of Arvin Industries (IR, Sep 18, 1957). He says: "By choice or by compulsion, business and the citizen will be called upon to pay for higher education. Voluntary gifts go further because they are locally administered and directly supervised. They also eliminate the risk of the Russian central control technique."

Bases Broadened. Many business donors seek to "broaden the base" of their educational philanthropy to avoid any taint of control. Dr W Homer Turner, executive director of the US Steel Foundation warns: "If only a few corporations put up all the money they could, there would never be a solution; the base must be very broad—at least 100,000 business-related units aiding regularly and in significant

amounts. Such a base will also avoid any possible overdependence on any limited source and no possible charge of social danger could result. Already about 15-to-20,000 businesses or foundations participate."

This diversification is easier because of the growth of college group associations. More corporate gifts now reach individual colleges through these associations than by any other means. There are today 40 regional groups like New England Colleges Fund plus specialized units like the United Negro College Fund and the National Fund for Medical Education.

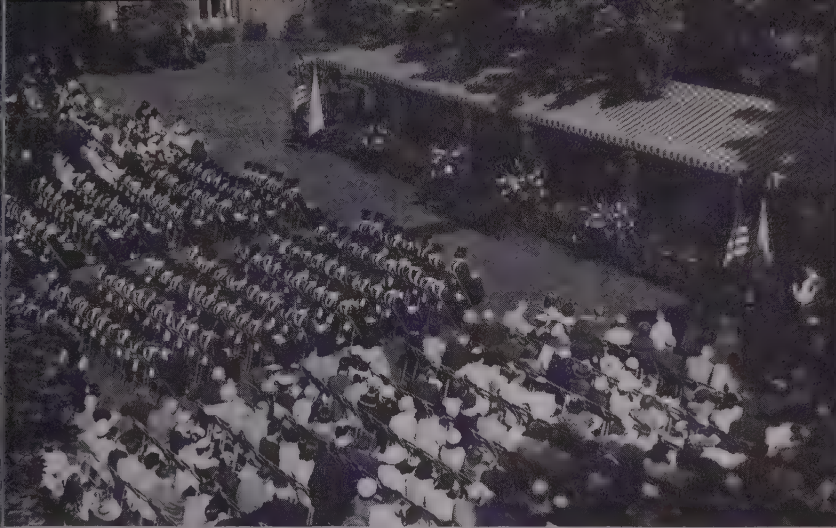
A recent survey shows several hundred of the largest corporations now earmark 34% of their total giving for education *v* 21% in 1950. However total corporate contributions to all causes have never come close to the 5% of earnings which are legally deductible from corporate income taxes. The closest was in 1953 when corporations gave 1.24% or $495,000,000.

Dr Sparks sees "three impressive features" in the growth of corporate giving: "1) The number of new companies coming in; 2) the staying power of those already in—I can't think of a single one that's discontinued; 3) the broadening of corporate giving programs already established."

The Council has encouraged "unrestricted gifts, because we've learned from colleges that's what they need most." About two-thirds of these gifts are used to strengthen teaching. While many companies once felt obligated to give in a field immediately related to their business more & more contributions are made "from a broader perspective." Dr Sparks thinks "there's no question the trend toward larger corporate and individual giving to education will continue."

As their gifts increase, corporations put more thought into how the money is spent. Fulltime staff members scrutinize educational needs. One result has been a greater emphasis on giving to improve the overall quality of teaching and educational institutions. One multi-billion dollar company reported it has discontinued most of its undergraduate scholarships because only a small number of the beneficiaries became teachers. The company now gives mostly fellowships on the graduate level where more students go into teaching. Besides the fellowship tuition, the company gives the university a grant to help pay expenses: "We feel it is more important to strengthen the institutions than to give scholarships to send students to universities with inadequate facilities."

Fastest-growing are the programs under which companies match funds donated by employes to the colleges of their choice. This method has been adopted by 69 corporations in the last few years. Among them Burlington Industries, National Distillers, Pitney-Bowes and Sears, Roebuck. Educators consider the plan sound, but warn corporate giving should not be confined to one type of program. Many businessmen follow this multiple-approach advice,



June grads grow more numerous

have developed many systems—including incentive awards for institutions which do the best job of increasing alumni support.

US Steel Foundation has one of the most comprehensive programs. This April it announced grants of $2,350,000 to 541 privately supported liberal arts colleges, 125 universities, 22 science and engineering institutions and 25 organizations devoted to elevating the quality of higher learning.

The Big Steel foundation gave operating grants of $667,000 plus $1,000,000 to be divided between 42 colleges and universities for "major-purpose or capital grants" and $180,000 for advancement of medical teaching. Another $190,000 went for graduate fellowships; $113,000 for six special projects such as assistance to college libraries; $35,000 for quality improvement of colleges not yet fully accredited; $80,000 for support of key educational associations and $60,000 for basic research on the earth's polar regions, oceans and crust.

An unusual arrangement is the trust established under the will of Charles Edward Merrill, a co-founder of **Merrill Lynch.** The trust has about a 10% interest in the investment house and distributes income from this and other sources, 55% to educational institutions and 45% to religious and charitable organizations. For the fiscal period ended January 12, 1959 the trust received $2,213,000 as its share of firm profits. In addition Merrill Lynch through its own foundation has contributed $9,226,000 over the past 13 years, a major portion of which went for educational purposes. (This does not include individual gifts.)

In 1958 the **Chase Manhattan Bank** Foundation gave $100,000 to ten educational institutions and $50,000 to three fund-raising associations: the Empire State Foundation

of Independent Liberal Arts Colleges, the New Jersey College Fund Association and the New England Colleges Fund Inc. It expects to make similar gifts this September.

The **Esso** Education Foundation disbursed grants of $1,420,000 for the 1958-59 academic year plus $500,000 to advance the teaching of science and engineering. In its four years the foundation has paid out over $5,000,000.

The **General Electric** Educational & Charitable Fund will donate about $400,000 worth of laboratory equipment this year. GE sponsors 102 graduate fellowships and 40 employe scholarships. The institutions the winners attend get $1,000 plus tuition to help defray expenses. GE spends about $250,000 on programs for training high school teachers plus $275,000 in special grants for research and physics departments.

The **General Foods** Fund has announced grants of $511,000 for 1959. The fund has donated more than $2,250,000 to education since its formation in 1953. This year's contributions include grants to the National Fund for Medical Education, the United Negro College Fund and the Association of Independent Engineering Colleges.

General Motors will spend about $5,000,000 this year of which half will go for 1,600 scholarships and the rest for the General Motors Institute at Flint, Mich. GMI was founded in 1919 and is an accredited engineering school with 2,000 students. GM plants sponsor the students who work half-time for GM while at GMI. Like most other institutions, GMI gets three-to-four times as many applications as it can accept. GM scholarship winners (who go elsewhere than GMI) get $200-to-2,000 a year for each of four years of college depending on their need; their colleges get grants.

Pan American World Airways gives $40,000 in unrestricted grants to eight leading universities and spends another $60,000 a year flying high school and university students for special projects.

Chas Pfizer & Company and the Pfizer Foundation this spring announced grants of $1,400,000 to more than 60 colleges and universities for advanced studies in medicine, chemistry and agriculture.

The **Westinghouse** Education Foundation will give grants and equipment worth $1,620,000 to universities and scholars this year. This includes laboratory equipment valued at $530,000, given to each of 150 accredited electrical engineering departments in US colleges.

Corporations also find other ways to give. From October 6 to June 5 *Continental Classroom* was telecast five mornings a week coast to coast by NBC. Dr Harvey E White, professor of physics at the University of California, presented a course in "Atomic Age Physics" for high school teachers. At the end of the second semester NBC reported 5,000 persons took the course for credit and a Trendex rating showed it had 400,000 viewers. *Continental Classroom* was such a "great success" it will be expanded next year. This year the Ford Foundation contributed $612,000 for the program and

$500,000 came from Bell Telephone, General Foods, IBM, Pittsburgh Plate Glass, Standard Oil of California and US Steel. Next fall RCA and duPont will join as sponsors.

The whole or a substantial portion of profits of a few companies go to education. For instance, a group of New York University alumni gave controlling interest in macaroni-maker C F Mueller Company to their alma mater and NYU still gets the dividends.

In other dimensions corporations and foundations have set up professorships at universities. For instance, the Danforth Foundation gave Princeton $350,000 to endow the William H Danforth professorship of religion in honor of the Ralston Purina founder.

As former Jersey Standard chairman Frank Abrams, one of the founders of the Council for Financial Aid to Education, puts it: "Every company can find at least one or two spots of fertile ground into which it can place financial grants. Wisely planted, they will yield rich crops for the donor company, the recipient colleges and universities and the nation."

First Things At Beckman Instruments

Inventive Firm Grew Through Pioneering, Rebounds with Redesign

MANY a business has become attuned to the thinking it is often more profitable to be a successful second than a pioneering first. But this theorem has found no place in the rule book of $36,000,000-assets Beckman Instruments Inc of Fullerton, Cal, a small but eager seeker of new fields to conquer. Founder-president Dr Arnold Beckman propounds: "We try to find a new area of activity, then try to dominate a particular phase; we don't look at what someone else is already in."

This credo not only summarizes Dr Beckman's philosophy, it also describes the corporate history of the firm he founded almost 25 years ago. In 1935 chemistry professor (Caltech) Beckman built for a friend in the citrus industry a simple pH meter which could measure the acidity of lemon juice; the device could also analyze the alkalinity or acidity of virtually any solution. Unlike existing delicate lab models the Beckman meter was rugged enough for use in industrial process work. As new applications opened up, teacher Beckman became a part-time manufacturer.

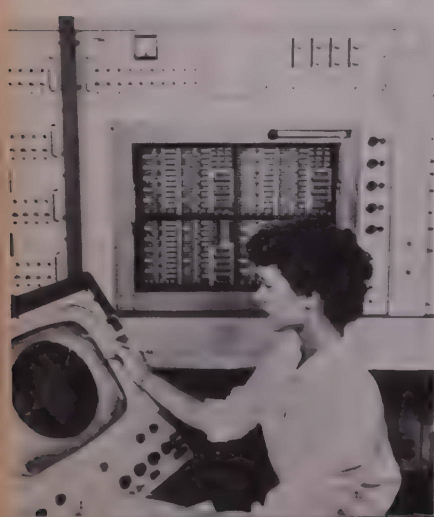
In 1940, two new inventions—the first commercial quartz spectrophotometer for analysis of chemicals and the helical potentiometer (tradenamed Helipot), a high-precision device to convert mechanical motion into electric signals—came from Dr Beckman's lab. Again their markets multiplied and inventor Beckman became a full-time industrialist. The company grew rapidly by invention and acquisition ("we acquire to get a product or to buy

time—not merely to get bigger") and the Beckman name became a byword from research labs to plants to hospitals and doctors' offices.

The company now operates through six domestic divisions: Scientific & Process instruments; Helipot; Berkeley (high speed electronic counters and analog computers); Systems (data processing and industrial automation); Spinco (medical instruments) and the Shockley semiconductor group which is headed by Bell Labs alumnus Dr William Shockley, one of the three fathers of the transistor. Beckman now has six plants in the US plus facilities in Toronto, Munich and Glenrothes, Scotland. It has developed a thriving foreign business which brought in 15% of the $39,800,000 sales in the year ended June 1958.

Pioneering Problems. This eminence has been achieved through the Beckman principle of preemption, a principle which imposes

Beckman systems do space work



some exacting tasks of selection and development. Distinguished president Beckman notes: "We try to bridge the gap between electronics and science by the application of electronic circuitry to scientific instruments. This offers so many opportunities for firsts. Our yardstick for determining which first to explore is gross profit potential."

He specifies: "We look for a 20% pre-tax profit margin; if it's higher than that, you invite too much competition unless you have a good patent position; if it's lower, you're not able to provide adequate customer service. Every manufacturer is obligated to charge customers enough so money will be available for research so they can constantly get new and improved products."

As Beckman products are firsts, the company must educate these customers to the need for its products. Former teacher Beckman explains: "At first the customer doesn't know he needs the product; once the need is recognized, sales spurt." As a result, the Beckman sell is mainly educational: literature on the ABC's of an application, presentation of technical papers, articles in technical journals, special training of dealers and representatives. For instance, early Beckman ads probed the theory of pH since "a customer had to know why he should buy a $200 pH meter when he had 5¢ litmus paper."

Finally, once a product is launched, Beckman must work to keep it riding ahead of competition from eager seconds. Thus research is directed both at keeping estab-

lished lines one step ahead and development of new products. The cost is heavy; research expenditures run 8-to-10% of sales.

Blueprint on Litmus. The Beckman blueprint was etched with enough acid to fade and eventually redden the income statement in 1957-58. Although sales increased from $29,400,000 in fiscal 1956 to $38,100,000 in 1957 and $39,800,000 in 1958, profits slid from the 1956 peak of $1,740,000 or $1.36 a share to $210,000 and then dipped to a $946,000 deficit last year. The reasons: "Substantial losses on Government contracts, the recession, inadequacies in internal organization and controls attributable to the company's rapid growth rate."

Undaunted, Beckman plunged into an exhaustive redesign program on its own operations. With the aid of management consultants, it set up a new organization chart with seven key executives each responsible for operating functions such as research, production, marketing, etc. Plant facilities were consolidated to reduce investment; costs and distribution were brought under tight controls. The results: in the nine months ended March sales increased to $32,500,000 from $29,300,000 while earnings came solidly into the black at $1,432,000 or $1.06 a share compared to the $436,000 loss last year.

Bookings have been running at record levels through the fiscal year's final quarter and Arnold Beckman expects full-year sales of about $45,000,000. Although he will not offer any earnings figure, out-

Inventor Beckman & pH meter

siders expect earnings in the neighborhood of $1.30-to-1.50 a share.

Beckman has paid no cash dividends since stock was offered to the public but it did disburse 3% in stock in 1956 and 1957. The president states simply: "Undoubtedly dividends will be resumed one of these days." The 1,350,000 Beckman shares (38% held by Dr Beckman) recently bounded up to post a new alltime high of 74¾, now trade at 59 on the NYSE. Last year they were as low as 18.

New Entries. During its days of profit problems, the company did not cut back on its heavy research expenditures. Rather it elected to spend more in this area than it was actually earning to keep first things first. As a result, president Beckman could enthusiastically describe a wide range of new products. In his catalog:

• An amino acid analyzer which is

able to determine and identify the combinations of some 20 amino acids which make up proteins. The device is expected to become important in physiological research work, especially cancer studies, as it enables a lab technician to do in one hour what used to take a PhD and his assistant three days. Cost: $10-to-12,000.

• A blood analysis kit which enables a doctor's assistant to make multiple blood tests from just a few drops of blood. "Any girl who can read a cookbook can make an accurate analysis with this kit." The kit will be priced low enough for every doctor—"a healthy market even though it won't sell like hula hoops."

• A high precision gas chromatograph, the Megachrom, which handily breaks up gaseous samples into all their various components. This will provide high purity substances to the chemical and drug industries. As it can isolate such next-to-intangibles as aroma and flavor, the Megachrom will also be important in the cosmetics, foodstuffs and liquor fields. "With it we may be able to find out what in the whisky causes the hangover."

• An ultra-tiny semiconductor, the four-layer switching diode, which although it is no bigger than a typewritten period, can replace large mechanical relays in telephone switching, etc.

• A full-scale transistorized industrial automation system which soon may enable companies in the process industries to "close the loop" for fully automated plants. Beckman has made no closed loop installation yet, but in testing its equipment with a number of "knowledgeable users" such as duPont, Phillips Petroleum, etc it has come up with modular construction which reduces special engineering work to as low as 10% of the job (usually the systems must be 100% custom designed).

Although competition in the systems area is quite keen ("it's a field where people are willing to lose money to get a toehold") Arnold Beckman has the highest hopes for long-term growth for this division.

Overall, he sets a goal of a 20% sales increase each year with of course a compensating increase in profits in line with his 20% pre-tax margin yardstick. As last year operations were at a loss this will be an ambitious program for ambitious Beckman and chances are its inventive chief, who admits to "living with the job all day long" may not have as much time as he would like for inventing and sailing on his 41-foot fiberglass sloop *Aries*.

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PROGRESS PLANTS

The giant mushroom stalks alongside this curvaceous gardener are not horticultural phenomena but a sample of the outdoor lighting fixtures grown by Progress Manufacturing Company of Philadelphia. While eager to illumine lawns, gardens and flower beds (an obvious growth market these days), No 1 residential lighting fixture manufacturer Progress derives most of its sales foliage from a wide variety of incandescent and fluorescent lamps for use inside the home.

Progress financial progress is also lit up this year. For the first six months of 1959 sales are expected to reach a record \$11,500,000 as against \$9,600,000 a year ago; earnings are estimated around 95¢ a share compared to 70¢ for the first half of 1958. And the company is confident "a record \$2 a share will be earned by year end" against \$1.42 in 1958, \$1.65 in 1957 and the existing high of \$1.82 in 1956.

But not all the glow comes from the lighting field. In 1955 subsidiary Power Vent Corp was formed to manufacture ventilating and exhaust fans. The next year Progress followed with the merger of ventilating fan maker Marvin Electric of Los Angeles which also brought in a compatible line of its recessed incandescent lighting fixtures. The company further diversified its product line when it set up Progress Sound Guard in 1957 to make residential radio intercommunications systems. Then last year Progress acquired J H Sparks, specialists in design and installation of electronic, telephonic and video communications systems.

Sparked by Sparks, Progress now plans a number of new electronic accessories for the home "in the near future." Just this month it introduced Lite Guard, a simple inexpensive electronic device to automatically light post lanterns each nightfall.

"Pat! Pat! Where are you?"
"Sure, then, I'm here! Digging for apples, yer honour!"

ALICE'S ADVENTURES IN WONDERLAND
Chapter IV

The world is full of people who are looking for things in the wrong places —digging in the ground for apples and shaking trees for potatoes.

The stock market, alas, is full of them, too—people who are looking for safety in speculative stocks, for income in growth stocks, for capital appreciation in dividend-paying stocks . . . people who are simply going about investing the wrong way.

Why? Probably because they believe that any investment is better than no investment at all and they just aren't aware of all the possibilities open to them.

Well, far be it from us to discourage investing. But we like to see it done in the right ways and for the right reasons. That's why we maintain a sizable Research Department — to help investors and prospective investors select their securities according to their needs. After all, it's in our best interests as well as theirs to see that they are happy with their holdings.

Want help in choosing *your* investments? Pay a visit to any Merrill Lynch office or call your account executive. Either way, you'll get conscientious guidance without charge or obligation.

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